

§ 1.38-1

26 CFR Ch. I (4-1-00 Edition)

Credit base of W	1,400
Combined credit base	2,100
Credit for the elderly (15 pct. of \$2,100)	315

Example 3. (a) Assume the same facts as in example (2) of this paragraph, except that H and W live apart at all times during 1978 and file separate returns. Under these circumstances, H and W must give effect to the applicable community property law in determining their credits under section 37(e). Thus, each spouse must take into account one-half of each item of income.

(b) Subject to the limitation of section 37(c)(2) and paragraph (b) of § 1.37-1, H's credit for the elderly is \$157.50, computed as follows:

Maximum retirement income level under section 37(e)(7)	\$1,875
Reductions required by section 37(e)(5):	
Social security payments	\$700
One-half of excess of earnings over \$1,200 (taking into account one-half of combined earnings of \$2,900)	125
Amount determined under section 37(e)(5)	1,050
Retirement income	3,700
Credit of H (15 pct. of \$1,050)	157.50

(c) Subject to the limitation of section 37(c)(2) and paragraph (b) of § 1.37-1, W's credit for the elderly is computed as follows:

Maximum retirement income level under section 37(e)(7)	\$1,875
Reductions required by section 37(e)(5):	
Social security payments	\$700
One-half of excess of earnings over \$1,200 ...	125
Amount determined under section 37(e)(5)	1,050
Retirement income (limited to W's share of public pension)	700
Credit of W (15 pct. of \$700)	105

[T.D. 7743, 45 FR 84050, Dec. 22, 1980]

§ 1.38-1 Investment in certain depreciable property.

Regulations under sections 46 through 50 are prescribed under the authority granted the Secretary by section 38(b) to prescribe regulations as may be necessary to carry out the purposes of section 38 and subpart B, part IV, subchapter A, chapter 1 of the Code.

[44 FR 20417, Apr. 5, 1979]

§ 1.40-1 Questions and answers relating to the meaning of the term "qualified mixture" in section 40(b)(1).

Q-1. What is a "qualified mixture" within the meaning of section 40(b)(1)?

A-1. A "qualified mixture" is a mixture of alcohol and gasoline or of alcohol and special fuel which (1) is sold by the taxpayer producing such mixture to any person for use as a fuel, or (2) is used as a fuel by the taxpayer producing such mixture.

Q-2. Must alcohol be present in a product in order for that product to be considered a mixture of alcohol and either gasoline or a special fuel?

A-2. No. A product is considered to be a mixture of alcohol and gasoline or of alcohol and a special fuel if the product is derived from alcohol and either gasoline or a special fuel even if the alcohol is chemically transformed in producing the product so that the alcohol is no longer present as a separate chemical in the final product, provided that there is no significant loss in the energy content of the alcohol. Thus, a product may be considered to be "mixture of alcohol and gasoline or of alcohol and a special fuel" within the meaning of section 40(b)(1)(B) if such product is produced in a chemical reaction between alcohol and either gasoline or a special fuel. Similarly a product may be considered to be a "mixture of alcohol and gasoline or of alcohol and a special fuel" if such product is produced by blending a chemical compound derived from alcohol with either gasoline or a special fuel.

Thus, for example, a blend of gasoline and ethyl tertiary butyl ether (ETBE), a compound derived from ethanol (a qualified alcohol), in a chemical reaction in which there is no significant loss in the energy content of the ethanol, is considered for purposes of section 40(b)(1)(B) to be a mixture of gasoline and the ethanol used to produce the ETBE, even though the ethanol is chemically transformed in the production of ETBE and is not present in the final product.

[T.D. 8291, 55 FR 8948, Mar. 9, 1990]

Internal Revenue Service, Treasury

§ 1.41-0

TAXABLE YEARS BEGINNING AFTER DECEMBER 31, 1986

SOURCE: Sections 1.41-0—1.41-9 appear by T.D. 8251, 54 FR 21204, May 17, 1989, unless otherwise noted.

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This section lists the paragraphs contained in §§ 1.41-0 through 1.41-9.

§ 1.41-0 Table of Contents.

§ 1.41-1 Introduction to regulations under section 41.

§ 1.41-2 Qualified Research Expenses

- (a) Trade or business requirement.
- (1) In general.
- (2) New business.
- (3) Research performed for others.
- (i) Taxpayer not entitled to results.
- (ii) Taxpayer entitled to results.
- (4) Partnerships.
- (i) In general.
- (ii) Special rule for certain partnerships and joint ventures.
- (b) Supplies and personal property used in the conduct of qualified research.
- (1) In general.
- (2) Certain utility charges.
- (i) In general.
- (ii) Extraordinary expenditures.
- (3) Right to use personal property.
- (4) Use of personal property in taxable years beginning after December 31, 1985.
- (c) Qualified services.
- (1) Engaging in qualified research.
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- (3) Direct support.
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- (1) In general.
- (2) "Substantially all."
- (e) Contract research expenses.
- (1) In general.
- (2) Performance of qualified research.
- (3) "On behalf of."
- (4) Prepaid amounts.
- (5) Examples.

§ 1.41-3 Base period research expense

- (a) Number of years in base period.
- (b) New taxpayers.
- (c) Definition of base period research expenses.
- (d) Special rules for short taxable years.
- (1) Short determination year.
- (2) Short base period year.
- (3) Years overlapping the effective dates of section 41 (section 44F).
- (i) Determination years.
- (ii) Base period years.
- (4) Number of months in a short taxable year.
- (e) Examples.

§ 1.41-4 Qualified research for taxable years beginning after December 31, 1985. [Reserved]

§ 1.41-5 Qualified research for taxable years beginning before January 1, 1986

- (a) General rule.
- (b) Activities outside the United States.
- (1) In-house research.
- (2) Contract research.
- (c) Social sciences arts or humanities.
- (d) Research funded by any grant, contract, or otherwise.
- (1) In general.
- (2) Research in which taxpayer retains no rights.
- (3) Research in which the taxpayer retains substantial rights.
- (i) In general.
- (ii) Pro rata allocation.
- (iii) Project-by-project determination.
- (4) Independent research and development under the Federal Acquisition Regulations System and similar provisions.
- (5) Funding determinable only in subsequent taxable year.
- (6) Examples.

§ 1.41-6 Basic research for taxable years beginning after December 31, 1985. [Reserved]

§ 1.41-7 Basic research for taxable years beginning before January 1, 1986

- (a) In general.
- (b) Trade or business requirement.
- (c) Prepaid amounts.
- (1) In general.
- (2) Transfers of property.
- (d) Written research agreement.
- (1) In general.
- (2) Agreement between a corporation and a qualified organization after June 30, 1983.
- (i) In general.
- (ii) Transfers of property.
- (3) Agreement between a qualified fund and a qualified educational organization after June 30, 1983.
- (e) Exclusions.
- (1) Research conducted outside the United States.
- (2) Research in the social sciences or humanities.
- (f) Procedure for making an election to be treated as a qualified fund.

§ 1.41-8 Aggregation of expenditures.

- (a) Controlled group of corporations; trade or businesses under common control.
- (1) In general.
- (2) Definition of trade or business.
- (3) Determination of common control.
- (4) Examples.
- (b) Minimum base period research expenses.
- (c) Tax accounting periods used.
- (1) In general.
- (2) Special rule where timing of research is manipulated.